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BEFORE THE ARKANSAS PUBLIC SERVICE COMMISSION

FILED

IN THE MATTER OF A RULEMAKING TO)
AMEND TRANSITION COST GUIDELINES)
IN COMPLIANCE WITH ACT 204 OF 2003)

DOCKET NO. 03-055-R

STAFF'S INITIAL COMMENTS

In response to Commission Order No. 1 in this Docket, the General Staff of the Arkansas Public Service Commission ("Staff") proposes the adoption of the attached amended *Transition Cost Guidelines*.

Staff has reviewed Act 204 of 2003 (Act 204) and the currently approved *Transition Cost Guidelines* and has identified the need for amendments to the *Transition Cost Guidelines* to be consistent with Act 204. Included as Attachment 1 are Staff's proposed amended *Transition Cost Guidelines* reflecting the changes which are necessary to bring the current *Transition Cost Guidelines* into compliance with Act 204. Included as Attachment 2 is a redline version of the current *Transition Cost Guidelines*.

Staff's proposed amended *Transition Cost Guidelines* were developed with the objective of limiting revisions to areas specifically arising from the passage of Act 204. To the extent possible, the exact language from Act 204 was substituted. Language was also added to recognize the filings that have been made to date by the electric utilities seeking to recover transition costs.

The changes recommended to current Sections 1, 2 and 3 revise the current language to reflect Act 204 as the authority for recovery, and to reflect the definition, limitations, and timing for recovery as set forth in Act 204.

Current Sections 4 and 5 remain unchanged other than to recognize that these requirements apply to accounting procedures and the initial application for recovery of transition costs which has been filed by each of the electric utilities seeking to recover transition costs – Entergy Arkansas, Inc. in Docket No. 01-041-U; Southwestern Electric Power Company in Docket No. 01-042-U; and Oklahoma Gas & Electric Company in Docket No. 01-044-U. Likewise, a new Section 6 was added recognizing the additional annual filings which the Commission has ordered and which the electric utilities seeking transition cost recovery have made.

A new Section 7 is proposed which requires a supplemental filing from the electric utilities seeking to recover transition costs. The purpose of this Section is to obtain the information necessary to allocate transition costs among the classes and develop a rate allowing recovery within the time frame specified by Act 204. For the purposes of this Docket, Staff supports allocation among the classes based on production revenue requirement as established in the electric utility's most recently approved unbundled cost of service study. This allocation basis is generally consistent with the purpose of Act 1556 to provide benefits to Arkansas' electric customers with regard to the generation portion of their bills. Also, the development of the kWh charge utilizing estimated billing determinants for an 18-month period ending not later than February, 2006 should serve to ensure recovery during the period specified by Act 204. The establishment of these provisions provides for uniform treatment among the electric

utilities¹ and facilitates the timely establishment of transition cost recovery. Based on responses to discovery provided by each of the electric utilities, these provisions should not result in an adverse impact on any class of customer, with the estimated impact on residential customers ranging from approximately 25¢ to 85¢ per month for a customer using 1,000 kWh.

A new Section 8 is proposed to provide for monitoring of collections to ensure that collections cease when the approved transition cost amount by class is recovered. This Section also sets forth the time frame for any requested revision in the approved rate to ensure recovery, and provides for the treatment of any overrecovery at the end of the recovery period through the Energy Cost Recovery Rider. Lastly, this Section requires a report of actual collections after 12 months of collection, as well as a final report establishing that no overcollection resulted. No changes were made to the schedules.

Staff has begun its review of the initial transition cost recovery applications and the annual update filings. Given the recovery period specifically set forth in Act 204, Staff offers the following preliminary observations regarding scheduling. Assuming an order on the *Transition Cost Guidelines* in early October, and the Section 7 required supplemental filings 30 days thereafter, Staff anticipates being in a position in early November to suggest a procedural schedule in each of the dockets. Staff generally anticipates Staff filings in November, hearings in January, and rate implementation in late March or early April.

¹ One clarification should be noted. Currently, EAI is the only utility with special rate contract customers. The appropriate treatment of these contracts will be addressed in EAI's transition cost recovery case, Docket No. 01-041-U.

WHEREFORE, Staff requests that the Commission approve the amended *Transition Cost Guidelines* included as Attachment 1.

Respectfully submitted,

General Staff of the Arkansas
Public Service Commission

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CERTIFICATE OF SERVICE

I, Valerie F. Boyce, hereby certify that a copy of the foregoing Initial Comments has been served on all parties of record by forwarding the same by first class mail, postage prepaid, this 18th day of July, 2003.

Valerie F. Boyce
Valerie F. Boyce

**ARKANSAS PUBLIC SERVICE COMMISSION
TRANSITION COST GUIDELINES**

Section 1: General

Section 9 of Act 204 of 2003 (to be codified at §23-4-209) (Act 204) provides generally that electric utilities may recover the costs that are found to have been necessary to carry out the electric utility's responsibilities associated with efforts to implement retail open access, or were mandated by statute or regulation and are not otherwise recoverable. In accordance with Act 204, no electric utility shall recover transition costs unless found to be necessary and approved by the Commission. These guidelines establish the uniform policies and procedures which govern the filing of, and procedures for, processing applications for transition cost recovery. Electric utilities seeking Commission approval of transition cost recovery shall comply with the policies and procedures contained in these guidelines.

The investigation of and hearing on the transition cost recovery application filed by any electric utility shall be conducted in a separate proceeding. The Commission's Rules of Practice and Procedure shall apply to all such proceedings including the rights and duties of the parties to the docket. The burden of proof shall rest with the electric utility to demonstrate expenditures are eligible for transition cost recovery under Act 204 and these guidelines.

Exemptions from these guidelines may be granted by the Commission in conformity with Rule 1.03 of the Commission's Rules of Practice and Procedure. Nothing in these guidelines shall preclude the Commission on its own initiative or in

response to a party's motion and after notice and hearing from adjusting the level of the transition cost surcharge pursuant to the provisions of Section 8 of these guidelines.

Section 2: Transition Costs

Transition costs are defined in Act 204. Transition costs mean those costs, investments, or unfunded mandates, either recurring or non-recurring, incurred by an electric utility after July 30, 1999 and no later than January 1, 2002 that are found to have been necessary to carry out the electric utility's responsibilities associated with efforts to implement retail open access, or were mandated by statute or regulation and are not otherwise recoverable. Transition costs shall be limited to charges which were prudent, reasonable, and directly caused by Act 1556 of 1999 and rules and orders adopted by this Commission to implement Act 1556.

In no event shall transition costs include retirement or severance programs, marketing or promotional activities, professional or advisory services, or legal costs associated with any competitive strategy.

In no event shall costs that are allowable in the utility's regulated cost of service and rates be included as transition costs, and the electric utility shall be required to demonstrate that its requested transition cost recovery does not contain amounts which are otherwise reflected in current rate levels. For example, the costs of employees who focused their efforts on Act 1556 implementation but which are reflected in current rate levels shall not be recoverable as transition costs. The same would apply for affiliate employees when the costs are reflected in current rate levels.

Section 3: Transition Cost Recovery

Transition cost recovery shall be by a customer transition charge during a period of time ending February 21, 2006, which is thirty-six (36) months after the effective date of Act 204. No electric utility shall recover transition costs unless approved by the Commission after notice and hearing.

Section 4: Accounting for Expenditures

Each electric utility seeking to recover transition costs shall have developed and implemented appropriate accounting procedures, subject to the review of the Commission, which provide for separate tracking, accounting and reporting of transition costs. The procedures shall enable transition costs and transition cost recovery to be readily identified and verified and clearly separated from any stranded costs and stranded cost recovery. Separate work orders or other accounting cost tracking mechanisms shall have been established to capture all transition costs. The electric utility shall have secured or created, and subsequently retained documentation, including but not limited to vouchers, account records, and journal entries, to support each item for which it seeks transition cost recovery.

Section 5: Application for Recovery of Transition Costs

In order to recover transition costs, an electric utility shall have filed its initial application between January 1, 2001 and April 30, 2001 or by such date as ordered by the Commission. The initial application must have contained the actual transition cost expenditures incurred after July 30, 1999 through December 31, 2000. The Commission shall establish a separate procedural schedule for each of the electric utilities filing for

transition cost recovery which specifies dates for the filing of testimony and the public hearing.

In addition to the actual transition cost expenditures from July 30, 1999 through December 31, 2000, an initial application for recovery of transition costs shall have included the following unless otherwise ordered by the Commission:

- (1) the utility's comprehensive plan for transition to, or the implementation of, retail open access which shall include its overall objectives, specific timelines and workplans for implementation, and estimates of transition costs which will be incurred;
- (2) the information required in Transition Cost Recovery Minimum Filing Schedules 1, 2 and 3 which includes the date incurred, account number, description of the expenditure, amount, eliminations, and requested recovery amount;
- (3) a clear demonstration that all amounts for which the electric utility is seeking recovery were eligible under Act 1556 and were necessary to carry out the electric utility's responsibilities associated with the transition to, or the implementation of, retail open access;
- (4) a detailed discussion of the approach used to ensure that no costs otherwise reflected in current rate levels were included as required by Section 2;
- (5) the electric utility's estimate of the transition costs that will be incurred over the remaining term of the incurrence period segregated by categories by calendar year including a thorough description of the basis of the estimate, with the categories of costs including at a minimum employee and employee-

related costs, reorganization costs to meet functional separation requirements, costs associated with a regional transmission organization or other transmission entity, customer billing and information systems, and customer education;

- (6) the information required on Transition Cost Recovery Minimum Filing Schedules 4 and 5, and a detailed explanation of how costs were assigned and/or allocated between/among jurisdictions and the basis for the assignment and/or allocation;
- (7) support for the basis of the electric utility's proposed allocation of transition cost recovery among the customer classes which shall include the information required on Transition Cost Recovery Minimum Filing Schedules 4 and 5;
- (8) a description of the proposed transition cost surcharge and the detailed calculations in support of the rate developed; and
- (9) comprehensive workpapers including all source and backup material which would enable Staff to perform a detailed review of the electric utility's documentation without requiring an on-site visit, including, but not limited to, all relevant invoices and voucher payment records, and journal entries.

Detailed testimony and exhibits in support of items 1 through 9 listed above shall have been filed with any application. The detailed supporting documentation required by these guidelines may be provided in the form of workpapers made available to the parties at the time of the filing. Five copies shall have been provided to the Staff. Copies of any computer files used in developing the workpapers and/or testimony should also have been made available in electronic format with formulas intact.

Section 6: Initial Application Updates

Pursuant to Section 5, the electric utility's initial application must have contained the actual transition cost expenditures incurred after July 30, 1999 through December 31, 2000. Further, an electric utility shall have filed, for the years 2001 and 2002, an update to its initial application in its entirety. These updates shall have contained the actual transition cost expenditures incurred January 1 through December 31 of each year.

Section 7: Required Supplemental Filing

No later than thirty (30) days after the Commission's order in Docket No. 03-055-R adopting these guidelines, an electric utility seeking to recover transition costs shall be required to make a supplemental filing which shall include the following information:

- (1) A determination of the transition cost recovery rate developed as a per kWh charge;
- (2) The development of the kWh charge based on allocation among the classes on the basis of production revenue requirement as established in the electric utility's most recently approved unbundled cost of service study, and utilizing estimated billing determinants for an eighteen (18) month period ending not later than February, 2006;
- (3) Comprehensive workpapers in support of the above calculations made available at the time of filing, including copies of any computer files used in developing the allocation and rates in electronic format with formulas intact; and
- (4) Any information for which the electric utility had previously been granted a waiver of any of the application requirements set forth in Section 5,

including the filing of additional testimony and exhibits, the provision of comprehensive workpapers, and the provision of computer files consistent with the requirements of Section 5.

Section 8: Periodic Review and Reporting

An electric utility granted recovery of transition costs shall be required to monitor the amounts collected. The total sum of transition costs collected from ratepayers and retained by the electric utility shall not exceed the total sum of actual approved transition costs. If an electric utility recovers the approved transition cost amount by class prior to the end of the recovery period, February 21, 2006, the electric utility shall cease collection from that class. Any overrecovery at the end of the recovery period shall be refunded through the electric utility's Energy Cost Recovery Rider.

The Commission may require, or an electric utility may request to make, an additional filing to more effectively address over/under collections prior to the end of the recovery period. Any electric utility request shall be made no later than October 1, 2005.

An electric utility granted transition cost recovery shall timely file with the Commission a report of the actual collections during the first twelve (12) months of the surcharge. At the conclusion of the recovery period, the electric utility shall timely file a final report of transition cost recovery for the purposes of establishing that no overcollection resulted.

**ARKANSAS PUBLIC SERVICE COMMISSION
MINIMUM FILING SCHEDULES
FOR TRANSITION COST RECOVERY
APPENDIX I**

GENERAL FILING INSTRUCTIONS

In preparing the information specified in these filing schedules, the following instructions are applicable:

- (a) All schedules shall be mathematically correct and properly cross-referenced. The electric utility shall ensure that adequate detail has been provided to explain and support all significant items and amounts.
- (b) Amounts may be rounded, where appropriate, to the nearest thousand dollars.
- (c) All schedules shall be numbered as provided in schedules identified below.
- (d) Schedules, titles, and row and column headings shall clearly indicate the nature and intent of the schedule and the dates or time periods covered. Row and column headings shall be clearly indicated.
- (e) At the date of filing, the electric utility shall file an original and thirteen (13) copies of all schedules, exhibits, and tariffs.
- (f) If the electric utility prepares the filing schedules using an electronic spreadsheet, i.e. Excel or Lotus, the electric utility shall provide to Staff and all other parties at the time it files its transition cost recovery filing a diskette with a copy of the electronic spreadsheets with formulas intact.
- (g) Five copies of workpapers shall be delivered to the Arkansas Public Service Commission General Staff in care of the Secretary of the Commission at the time of filing.

Index of Schedules

<u>Schedule</u>	<u>Description</u>
1	Summary of Actual and Projected Transition Costs Incurred and Expected to be After July 30, 1999 Through 24 Months After Retail Open Access
2	Summary of Actual Transition Costs Incurred
3	Summary of Projected Transition Costs to be Incurred
4	Transition Cost Allocation to Other Jurisdictions, Arkansas Retail Jurisdiction, and Arkansas Retail Rate Schedules/Classes
5	Development of Transition Cost Allocation Factors

ARKANSAS PUBLIC SERVICE COMMISSION
TRANSITION COST RECOVERY FILING SCHEDULES
ILLUSTRATIVE SCHEDULE FORMAT

Schedule: 1

Title: Summary of Actual and Projected Transition Costs Incurred and Expected to be Incurred After July 30, 1999 Through 24 Months After Retail Open Access

Explanation: Disclosure of all expenditures for transition costs that were incurred and expected to be incurred after July 30, 1999 through 24 months after retail open access.

(1)	(2)	(3)	(4)
	Total		Total
	Company	Elimination of	Company
Account	Amount of	Non-Allowable	Requested
<u>Number</u>	<u>Expenditure</u>	<u>Amount</u>	<u>Recovery</u>
			<u>Amount</u>

Supporting Schedules

2, 3

Recap Schedules

ARKANSAS PUBLIC SERVICE COMMISSION
TRANSITION COST RECOVERY FILING SCHEDULES
ILLUSTRATIVE SCHEDULE FORMAT

Schedule: 2

Title: Summary of Actual Transition Costs Incurred

Explanation: Disclosure of all expenditures for transition costs that were incurred after July 30, 1999 through December 31, 2000 and/or subsequent periods as directed by the Commission.

(1)	(2)	(3)	(4)	(5)	(6)
			Total Company Amount of <u>Expenditure</u>	Elimination of Non-Allowable <u>Amount</u>	Total Company Requested Recovery <u>Amount</u>
<u>Date Incurred</u>	<u>Account Number</u>	<u>Description of Expenditure</u>			

Note: An asterisk should be placed by any amount appearing in column 5 that the electric utility eliminated because it will seek to recover those expenditures through its distribution rates.

Supporting Schedules
As needed

Recap Schedules
1

ARKANSAS PUBLIC SERVICE COMMISSION
TRANSITION COST RECOVERY FILING SCHEDULES
ILLUSTRATIVE SCHEDULE FORMAT

Schedule: 3

Title: Summary of Projected Transition Costs to be Incurred

Explanation: Disclosure of all expenditures for transition costs that are expected to be incurred from the end of the period reflected in Schedule 2 through 24 months after retail open access.

(1)	(2)	(3)	(4)	(5)	(6)
<u>Date</u> <u>to be</u> <u>Incurred</u>	<u>Account</u> <u>Number</u>	<u>Description of</u> <u>Expenditure</u>	<u>Estimated</u> <u>Amount of</u> <u>Expenditure</u>	<u>Elimination of</u> <u>Non-Allowable</u> <u>Amount</u>	<u>Requested</u> <u>Recovery</u> <u>Amount</u>

Note: An asterisk should be placed by any amount appearing in column 5 that the electric utility eliminated because it will seek to recover those expenditures through its distribution rates.

Supporting Schedules
As needed

Recap Schedules
1

ARKANSAS PUBLIC SERVICE COMMISSION
 TRANSITION COST RECOVERY FILING SCHEDULES
 ILLUSTRATIVE SCHEDULE FORMAT

Schedule: 4

Title: Transition Cost Allocation to Other Jurisdictions, Arkansas Retail Jurisdiction, and Arkansas Retail Rate Schedules/Classes

Explanation: Schedule showing allocation of transition cost expenditures by FERC/RUS account to other Jurisdictions, Arkansas, and Arkansas Rate Schedules/Classes.

<u>Date</u> <u>Incurred</u>	<u>Account</u>	<u>Total</u> <u>Requested</u> <u>Recovery</u> <u>Amount (A)</u>	<u>Other</u> <u>Jurisdictions</u>	<u>Total</u> <u>Arkansas</u> <u>Retail</u>	<u>RS 1</u>	<u>RS 2</u>	<u>Etc.</u>	<u>Allocation</u> <u>Factor(a)</u>
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Supporting Schedules
 (a) 5

Recap Schedules
 (A) 2, 3

ARKANSAS PUBLIC SERVICE COMMISSION
 TRANSITION COST RECOVERY FILING SCHEDULES
 ILLUSTRATIVE SCHEDULE FORMAT

Schedule: 5

Title: Development of Transition Cost Allocation Factors

Explanation: Schedule(s) showing derivation of all allocation factors utilized to allocate the requested transition cost recovery amounts. All factors shall be labeled to show simple direct cross references to Schedule 4.

<u>Allocation</u> <u>Factor</u>	<u>Description</u>	<u>Total</u> <u>Company</u>	<u>Other</u> <u>Jurisdiction(s)</u>	<u>Ark.</u>	<u>RS 1</u>	<u>RS 2</u>	<u>Etc.</u>
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NOTE: Please show actual data used as well as resulting factor.

Supporting Schedules
 As needed

Recap Schedules
 4

ARKANSAS PUBLIC SERVICE COMMISSION
TRANSITION COST GUIDELINES

Section 1: General

Section 9 of Act 1556 of 1999 204 of 2003 (to be codified at §23-4-209) (Act 1556 204) provides generally that electric utilities may recover the costs *that are found to have been* necessary to carry out the *electric utility's* responsibilities associated with ~~the transition to, or the implementation of, retail open access~~ *efforts to implement retail open access, or were mandated by statute or regulation and are not otherwise recoverable.* In accordance with Act 1556 204, no electric utility shall recover transition costs unless found to be necessary and approved by the Commission. These guidelines establish the uniform policies and procedures which govern the filing of, and procedures for, processing applications for transition cost recovery. Electric utilities seeking Commission approval of transition cost recovery shall comply with the policies and procedures contained in these guidelines.

The investigation of and hearing on the transition cost recovery application filed by any electric utility shall be conducted in a separate proceeding. The Commission's Rules of Practice and Procedure shall apply to all such proceedings including the rights and duties of the parties to the docket. The burden of proof shall rest with the electric utility to demonstrate expenditures are eligible for transition cost recovery under Act 1556 204 and these guidelines. ~~are specifically necessary to carry out the electric utility's responsibilities associated with the transition to, or the implementation of, retail open access, or are mandated by statute or regulation, and are prudent, reasonable, and directly caused by retail open access.~~

Exemptions from these guidelines may be granted by the Commission in conformity with Rule 1.03 of the Commission's Rules of Practice and Procedure. Nothing in these guidelines shall preclude the Commission on its own initiative or in response to a party's motion and after notice and hearing from adjusting the level of the transition cost surcharge *pursuant to the provisions of Section 8 of these guidelines.*

Section 2: Transition Costs

Transition costs are defined in ~~Ark. Code Ann. §23-19-102 (37)~~ *Act 204*. Transition costs ~~include~~ *mean those costs, investments, or unfunded mandates, either recurring or non-recurring, costs or investments incurred by an electric utility after July 30, 1999 and no later than January 1, 2002 that are found to be have been necessary to carry out the electric utility's responsibilities associated with the transition to, or the implementation of, retail open access efforts to implement retail open access, or were mandated by statute or regulation and are not otherwise recoverable.* ~~;~~ *however, these costs may be recurring during the incurrence period, which is the period of time over which expenditures may qualify for transition cost recovery beginning on July 31, 1999 and extending through twenty-four months after the implementation of retail open access. Transition costs shall be limited to charges which were prudent, reasonable, and directly caused by Act 1556 of 1999 and rules and orders adopted by this Commission to implement Act 1556. Under no circumstances shall transition costs include any costs which are expected to be recoverable in a competitive retail market or costs associated with competing to provide a product or service for which competition was authorized by Act 1556, or retirement or severance programs, marketing or promotional activities, or professional or advisory services or legal costs associated with any competitive strategy.*

~~Further, costs that are allowable in the utility's regulated cost of service and rates shall not be included as transition costs.~~

In no event shall transition costs include retirement or severance programs, marketing or promotional activities, professional or advisory services, or legal costs associated with any competitive strategy.

~~To prevent double recovery, the electric utility shall be required to demonstrate that its requested transition cost recovery does not contain amounts which are otherwise reflected in current rate levels.~~

In no event shall costs that are allowable in the utility's regulated cost of service and rates be included as transition costs, and the electric utility shall be required to demonstrate that its requested transition cost recovery does not contain amounts which are otherwise reflected in current rate levels. For example, the costs of employees who ~~may now be focusing~~ *focused* their efforts on Act 1556 implementation but which are reflected in current rate levels shall not be recoverable as transition costs. The same would apply for affiliate employees when the costs are reflected in current rate levels.

Section 3: Transition Cost Recovery

~~The period for recovery of any transition costs approved by the Commission shall begin no earlier than the implementation of retail open access and extend no later than thirty-six months after the implementation of retail open access.~~

~~_____ Total transition costs shall be levelized over the recovery period. For annual review purposes, the total recoverable transition costs, estimated if necessary, shall be levelized over the remaining portion of the recovery period. Transition cost recovery shall be accomplished through a customer transition charge which means a non-~~

~~bypassable charge applicable to all retail customers of an electric utility served at either the distribution or transmission level within the electric utility's distribution service area as it existed prior to July 30, 1999.~~ ***Transition cost recovery shall be by a customer transition charge during a period of time ending February 21, 2006, which is thirty-six (36) months after the effective date of Act 204. No electric utility shall recover transition costs unless approved by the Commission after notice and hearing.***

~~Transition cost recovery shall be subject to the limitations of Ark. Code Ann. §23-19-402 (b) and (c) and any amounts not recovered due to the imposition of a rate freeze in any year shall not be carried forward to future years for collection or for redistribution among other customer classes. After the end of the incurrence period, the total actual transition costs approved shall be determined and the levelized amount calculated. The actual levelized amount shall be compared to the estimated levelized amount for the purposes of recalculating any amounts foregone due to the imposition of the rate freeze.~~

Section 4: Accounting for Expenditures

Each electric utility seeking to recover transition costs shall ***have developed*** and ***implemented*** appropriate accounting procedures, subject to the review of the Commission, which provide for separate tracking, accounting and reporting of transition costs. The procedures ~~should~~ ***shall*** enable transition costs and transition cost recovery to be readily identified and verified and clearly separated from any stranded costs and stranded cost recovery. Separate work orders or other accounting cost tracking mechanisms ~~should~~ ***shall have been*** established to capture all transition costs. The electric utility shall ***have secured*** or ***created***, and subsequently ***retained*** documentation,

including but not limited to vouchers, account records, and journal entries, to support each item for which it seeks transition cost recovery.

Section 5: Application for Recovery of Transition Costs

In order to recover transition costs, an electric utility shall *have* filed its initial application between January 1, 2001 and April 30, 2001 *or by such date as ordered by the Commission*. The initial application must *have* contained the actual transition cost expenditures incurred after July 30, 1999 through December 31, 2000. ~~Therefore, the~~ The Commission shall establish a separate procedural schedule for each of the electric utilities filing for transition cost recovery which specifies dates for the filing of testimony and the public hearing. ~~The Commission shall thereafter issue an order in sufficient time to enable each electric utility to begin billing customers the authorized transition cost surcharge by the implementation of retail open access. If the implementation date of retail open access is delayed by the Commission in accordance with Ark. Code Ann. §23-19-103, the Commission may require the electric utility or an electric utility may request to amend its initial application.~~

In addition to ~~having including~~ the actual transition cost expenditures from July 30, 1999 through December 31, 2000, an initial application for recovery of transition costs ~~must~~ *shall have* included the following *unless otherwise ordered by the Commission*:

- (1) the utility's comprehensive plan for transition to, or the implementation of, retail open access which shall include its overall objectives, specific timelines and workplans for implementation, and estimates of transition costs which will be incurred;

- (2) the information required in Transition Cost Recovery Minimum Filing Schedules 1, 2 and 3 which includes the date incurred, account number, description of the expenditure, amount, eliminations, and requested recovery amount;
- (3) a clear demonstration that all amounts for which the electric utility is seeking recovery ~~are~~ *were* eligible under Act 1556 and ~~are~~ *were* necessary to carry out the electric utility's responsibilities associated with the transition to, or the implementation of, retail open access;
- (4) a detailed discussion of the approach used to ensure that no costs otherwise reflected in current rate levels were included as required by Section 2;
- (5) the electric utility's estimate of the transition costs that will be incurred over the remaining term of the incurrence period segregated by categories by calendar year including a thorough description of the basis of the estimate, with the categories of costs including at a minimum employee and employee-related costs, reorganization costs to meet functional separation requirements, costs associated with a regional transmission organization or other transmission entity, customer billing and information systems, and customer education;
- (6) the information required on Transition Cost Recovery Minimum Filing Schedules 4 and 5, and a detailed explanation of how costs were assigned and/or allocated between/among jurisdictions and the basis for the assignment and/or allocation;

- (7) support for the basis of the electric utility's proposed allocation of transition cost recovery among the customer classes which shall include the information required on Transition Cost Recovery Minimum Filing Schedules 4 and 5;
- (8) a description of the proposed transition cost surcharge and the detailed calculations in support of the rate developed; and
- (9) comprehensive workpapers including all source and backup material which would enable Staff to perform a detailed review of the electric utility's documentation without requiring an on-site visit, including, but not limited to, all relevant invoices and voucher payment records, and journal entries.

Detailed testimony and exhibits in support of items 1 through 9 listed above shall *have been* filed with any application. The detailed supporting documentation required by these guidelines may be provided in the form of workpapers made available to the parties at the time of the filing. Five copies shall *have been* provided to the Staff. Copies of any computer files used in developing the workpapers and/or testimony should also *have been* made available in electronic format with formulas intact.

Section 6. Initial Application Updates

Pursuant to Section 5, the electric utility's initial application must have contained the actual transition cost expenditures incurred after July 30, 1999 through December 31, 2000. Further, an electric utility shall have filed, for the years 2001 and 2002, an update to its initial application in its entirety. These updates shall have contained the actual transition cost expenditures incurred January 1 through December 31 of each year.

Section 7. Required Supplemental Filing

No later than thirty (30) days after the Commission's order in Docket No. 03-055-R adopting these guidelines, an electric utility seeking to recover transition costs shall be required to make a supplemental filing which shall include the following information:

- (1) A determination of the transition cost recovery rate developed as a per kWh charge;*
- (2) The development of the kWh charge based on allocation among the classes on the basis of production revenue requirement as established in the electric utility's most recently approved unbundled cost of service study, and utilizing estimated billing determinants for an eighteen (18) month period ending not later than February, 2006;*
- (3) Comprehensive workpapers in support of the above calculations made available at the time of filing, including copies of any computer files used in developing the allocation and rates in electronic format with formulas intact; and*
- (4) Any information for which the electric utility had previously been granted a waiver of any of the application requirements set forth in Section 5, including the filing of additional testimony and exhibits, the provision of comprehensive workpapers, and the provision of computer files consistent with the requirements of Section 5.*

Section 6: Annual Review Filings

~~As directed by the Commission, any electric utility filing an initial application for transition cost recovery shall also make an annual review filing with the Commission each year throughout the recovery period. Thereafter, the Commission shall establish a separate procedural schedule for each of the electric utilities filing for transition cost recovery which specifies dates for the filing of testimony and the public hearing. The Commission shall thereafter issue an order in sufficient time to enable each electric utility to begin billing customers the authorized transition cost surcharge by the anniversary of the implementation of retail open access.~~

~~The annual review filing shall update the information required in an initial application as set forth in Section 5, including all supporting documentation, and shall include the following additional information with supporting testimony and exhibits:~~

- ~~(1) the total actual transition costs incurred to date,~~
- ~~(2) the total transition costs authorized for recovery by the Commission,~~
- ~~(3) the total transition costs recovered from the customer classes,~~
- ~~(4) any over/under collections from the previously authorized amounts,~~
- ~~(5) any updates of the estimate previously filed with the Commission, and~~
- ~~(6) the proposed transition cost surcharge to recover the total requested transition costs.~~

~~In the last year of the recovery period, the Commission may require or an electric utility may request to make an additional filing (s) to more effectively address over/under collections prior to the end of the recovery period. The total sum of transition costs collected from ratepayers over the recovery period shall not exceed the total sum of actual approved transition costs incurred during the incurrence period. At the conclusion~~

~~of the recovery period, each electric utility shall be required to make a final report of transition cost recovery for the purposes of establishing that no overcollection resulted.~~

~~On request of an interested party or upon its own motion, the Commission may revise the previously authorized cost estimate in light of changed circumstances at any time during the recovery period. After notice and hearing, the Commission may adjust the transition cost surcharge in accordance with any such revision.~~

Section 8. Periodic Review and Reporting

An electric utility granted recovery of transition costs shall be required to monitor the amounts collected. The total sum of transition costs collected from ratepayers and retained by the electric utility shall not exceed the total sum of actual approved transition costs. If an electric utility recovers the approved transition cost amount by class prior to the end of the recovery period, February 21, 2006, the electric utility shall cease collection from that class. Any overrecovery at the end of the recovery period shall be refunded through the electric utility's Energy Cost Recovery Rider.

The Commission may require, or an electric utility may request to make, an additional filing to more effectively address over/under collections prior to the end of the recovery period. Any electric utility request shall be made no later than October 1, 2005.

An electric utility granted transition cost recovery shall timely file with the Commission a report of the actual collections during the first twelve (12) months of the surcharge. At the conclusion of the recovery period, the electric utility shall timely file

a final report of transition cost recovery for the purposes of establishing that no overcollection resulted.